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# STRONG SHORT-TERM PERFORMANCE DRIVES VENTURE RETURNS IN POSITIVE DIRECTION AS OF FIRST QUARTER 2011

**July 27, 2011, Arlington VA –** Venture capital performance continued on a gradual upward trajectory as of the first quarter of 2011 according to the Cambridge Associates U.S. Venture Capital Index®, the performance benchmark of the National Venture Capital Association (NVCA). The improvements were seen across all time horizons, with the exception of the 15-year numbers, and were driven by the strong one-year venture capital return of 18.5 percent. The quarter marks the second consecutive one in which there were double digit returns for the one-year horizon and modest improvements in the three-, five-, and ten- year performance numbers. Venture capital returns outperformed the public indices in the one-, five-, 15- and 20-year horizons.

**US Venture Capital Index Returns for the Periods ending 3/31/2011, 12/31/2010, 9/30/2010, 6/30/2010, 3/31/2010**

| Cambridge Associates LLC U.S. Venture Capital Index® [1] for the periods ending | Qtr. | 1 Year | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years |
|---|---|---|---|---|---|---|---|
| March 31, 2011 | 5.0 | 18.5 | 2.0 | 5.9 | -0.1 | 34.3 | 26.5 |
| December 31, 2010 | 8.4 | 13.5 | -0.2 | 5.7 | -2.0 | 34.8 | 26.3 |
| September 30, 2010 | 3.7 | 8.2 | -2.1 | 4.2 | -4.6 | 36.9 | 25.6 |
| June 30, 2010 | 0.4 | 6.4 | -2.6 | 4.3 | -4.1 | 38.1 | 24.3 |
| March 31, 2010 | 0.6 | 6.3 | -0.7 | 4.9 | -3.7 | 38.2 | 24.0 |
| **March 31, 2011** | | | | | | | |
| U.S. Venture Capital - Early Stage Index [1] | 5.4 | 19.2 | 1.4 | 5.4 | -1.8 | 45.3 | 30.5 |
| U.S. Venture Capital - Late & Expansion Stage Index [1] | 5.3 | 30.9 | 8.4 | 12.7 | 3.7 | 14.7 | 21.0 |
| U.S. Venture Capital - Multi-Stage Index [1] | 4.1 | 12.8 | 0.3 | 4.0 | 1.9 | 31.8 | 23.9 |
| DJIA | 7.1 | 16.5 | 3.1 | 4.9 | 4.7 | 7.8 | 10.0 |
| NASDAQ Composite * | 4.8 | 16.0 | 6.9 | 3.5 | 4.2 | 6.4 | 9.2 |
| S&P 500 | 5.9 | 15.6 | 2.4 | 2.6 | 3.3 | 6.8 | 8.7 |

The Cambridge Associates LLC U.S. Venture Capital Index® is an end-to-end calculation based on data compiled from 1,308 U.S. venture capital funds (867 early stage, 170 late & expansion stage, 268 multi-stage and 3 venture debt funds), including fully liquidated partnerships, formed between 1981 and 2010.
[1] Pooled end-to-end return, net of fees, expenses, and carried interest as of 3/31/2011.
Sources: Barclays Capital, Bloomberg L.P., Cambridge Associates LLC U.S. Venture Capital Index®, Frank Russell Company, Standard & Poor's, Thomson Datastream, The Wall Street Journal, and Wilshire Associates, Inc.
*Capital change only.

"Slow and steady improvement has been the name of the game in venture performance for the last several quarters," said Mark Heesen, president of NVCA. "The venture capital industry is coming through a very turbulent period in U.S. economic history and recovery is going to take time, even with the improving exit market we have seen in the last year. But make no mistake that we are headed in the right direction and we expect these gains to continue throughout the coming year. Overall, this should be encouraging for the upcoming class of companies preparing to exit as well as new companies just entering the pipeline."

"The one-year return was strong and the longer-term performance continued to improve. The five-year return, which outperformed public indices, encompasses the recent recessionary period, the recovery and now three quarters of good IPO activity. The improving exit environment is encouraging and should continue to boost performance in 2011," said Theresa Sorrentino Hajer, Managing Director and Venture Capital Research Consultant at Cambridge Associates.

**Vintage Year Return Ratios**

The following chart lists the ratio between the dollars paid into venture capital funds by limited partners and the dollars distributed back to them by vintage year. The chart also includes the multiple of residual value to paid-in capital as 3/31/11. For example, the 2004 vintage year funds have distributed cash of 0.28 times the amount of capital paid in by LPs and the residual value is 1.09 times the paid-in capital; the total value multiple is therefore 1.37 times. It is important to note that the residual value is unrealized and will change as companies exit the portfolio, are revalued, or are written off.

The 1996 vintage year funds have the most positive ratio, returning 4.96 times the capital contributed by LPs, a number which rises to 5.03 should those funds realize the value of what is currently in the portfolio. More recent vintage years have yet to return significant cash to LPs as most funds do not have the opportunity to begin returning capital until after year five.

**Vintage Year Multiples Analysis**
**Pooled Mean Net to Limited Partners**
**As of March 31, 2011**

| Vintage Year | Distribution to Paid in Capital (DPI) | Residual Value to Paid in Capital (RVPI) | Total Value to Paid in Capital (TVPI) |
|---|---|---|---|
| 1981-1995 | 3.51 | 0.01 | 3.52 |
| 1996 | 4.96 | 0.07 | 5.03 |
| 1997 | 3.03 | 0.05 | 3.08 |
| 1998 | 1.35 | 0.14 | 1.49 |
| 1999 | 0.73 | 0.21 | 0.94 |
| 2000 | 0.58 | 0.38 | 0.96 |
| 2001 | 0.50 | 0.58 | 1.08 |
| 2002 | 0.51 | 0.50 | 1.01 |
| 2003 | 0.40 | 0.79 | 1.19 |
| 2004 | 0.28 | 1.09 | 1.37 |
| 2005 | 0.19 | 0.92 | 1.11 |
| 2006 | 0.11 | 1.00 | 1.11 |
| 2007 | 0.09 | 1.14 | 1.23 |
| 2008 | 0.06 | 1.12 | 1.18 |
| 1981-2010 | **1.08** | **0.49** | **1.57** |

Source: Cambridge Associates LLC

**Additional Performance Benchmarks**

To view the full, comprehensive report, which includes tables on additional time horizons, vintage years and industry returns, please visit the Cambridge Associates or NVCA websites.

Cambridge Associates derives its U.S. venture capital benchmarks from the financial information contained in its proprietary database of venture capital funds. As of March 31, 2011, the database is comprised of 1,308 venture funds formed from 1981 through 2010.

**About NVCA**

Venture capitalists are committed to funding America's most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. According to a 2011 Global Insight study, venture-backed companies accounted for 12 million jobs and $3.1 trillion in revenue in the United States in 2010. As the voice of the U.S. venture capital community, **the National Venture Capital Association (NVCA)** empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community's preeminent trade association, NVCA serves as the definitive resource for venture capital data and unites its 400 plus members through a full range of professional services. For more information about the NVCA, please visit www.nvca.org.

**About Cambridge Associates**

Founded in 1973, **Cambridge Associates** delivers investment consulting, independent research, performance reporting services, and outsourced portfolio solutions to over 900 institutional investors and private clients worldwide. Cambridge Associates has advised its clients on alternative assets since the 1970s and today serves its clients with more than 200 professionals dedicated to consulting, research, operational due diligence, and performance reporting on these asset classes. The firm compiles the performance results for more than 4,400 private partnerships and their more than 60,000 portfolio company investments to publish its proprietary private investments benchmarks, of which the *Cambridge Associates U.S. Venture Capital Index*® and *Cambridge Associates U.S. Private Equity Index*® are widely considered to be the industry-standard benchmark statistics for these asset classes. The firm also compiles benchmark statistics for global private equity and venture capital, real estate, natural resources, distressed securities, and funds of funds and secondaries. Cambridge Associates has over 1,000 employees serving its client base globally and maintains offices in Arlington, VA; Boston, MA; Dallas, TX; Menlo Park, CA; London, England; Singapore, and Sydney, Australia. Cambridge Associates is recognized as a thought leader, innovator and advocate for institutional investors. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.